



**INDEPENDENT EXTERNAL AUDIT:
2018 AUDIT FINDINGS REPORT
RHODE ISLAND
RHODE ISLAND HEALTH INSURANCE EXCHANGE
DBA HSRI (HEALTHSOURCE RHODE ISLAND)**



INDEPENDENT EXTERNAL AUDIT: 2018 FINDINGS REPORT

TO: CCIIO STATE EXCHANGE GROUP

FROM: BERRY DUNN MCNEIL & PARKER, LLC (BERRYDUNN)

DATE: MAY 17, 2019

SUBJECT: AUDIT FINDINGS REPORT FOR RHODE ISLAND

AUDIT PERIOD: JULY 1, 2017 – JUNE 30, 2018

I. EXECUTIVE SUMMARY

PURPOSE

The purpose of this independent external audit is to assist the State of Rhode Island in determining whether HealthSource Rhode Island (HSRI or the Exchange), the Rhode Island State-Based Marketplace (SBM), is in compliance with the financial and programmatic requirements set forth by the Centers for Medicare & Medicaid Services (CMS).

Rhode Island (HSRI)

Name of SBM: HSRI

State of SBM: Rhode Island

Name of Auditing Firm: BerryDunn

Our responsibility was to perform a financial and programmatic audit to report on HSRI's compliance with 45 CFR 155 as described in the CMS memo dated June 18, 2014, Frequently Asked Questions about the Annual Independent External Audit of SBMs. The Program Integrity Rule Part II ("PI, Reg."), 45 CFR 155.1200 (c), states, "The State Exchange must engage an independent qualified auditing entity which follows U.S. generally accepted governmental auditing standards (GAGAS) to perform an annual independent external programmatic audit and must make such information available to the United States (U.S.) Department of Health and Human Services for review."

SCOPE

The scope of this engagement included an audit of the statement of revenues and expenditures of HSRI, as well as an examination of HSRI's compliance with the programmatic requirements under 45 CFR 155, Subparts C, D, E, and K for the 12-month period July 1, 2017 through June 30, 2018. Our examination for Subparts C and K was limited to a review of HSRI's policies and procedures to test whether those policies and procedures are in compliance with the programmatic requirements under those Subparts. We conducted our audit in accordance with

U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We completed an examination of HSRI's compliance with the programmatic requirements under 45 CFR 155 and issued our reports, dated May 17, 2019. We also performed an audit of its financial statements for the twelve months ended June 30, 2018 and issued our report dated January 8, 2019.

We reviewed processes and procedures, read pertinent documents, and performed inquiries, observations, and staff interviews to obtain reasonable assurance regarding whether HSRI is in compliance with 45 CFR 155 in all material respects. We also selected a sample of clients and tested for compliance with requirements under Title 45, Part 155 for eligibility determination, verification of data, and enrollment with a Qualified Health Plan (QHP).

METHODOLOGY

Audit Firm Background:

BerryDunn is the largest certified public accounting and consulting firm headquartered in New England, with more than 300 professionals. BerryDunn has, for more than 40 years, provided comprehensive audit and tax services for a broad range of healthcare, not-for profit, and governmental entities. Those services include conducting Financial and Programmatic audits of four State Based Marketplaces which operate Health Benefit Exchanges. In addition, we have completed audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance, previously referred to as OMB Circular A-133), for several sizable healthcare organizations, many of which receive U.S. Department of Health and Human Services federal grants or funding. In addition, we provide audit services for higher education, social service, and economic development organizations, as well as other entities that receive federal grants and are subject to the Uniform Guidance.

Financial Statement Audit:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the statement of revenues and expenditures of HSRI, for the year ended June 30, 2018, and related notes to the statements, and have issued a report thereon dated January 8, 2019.

Programmatic Audit:

We have examined HSRI's compliance with the programmatic requirements described in 45 CFR 155 for the year ended June 30, 2018, and have issued a report thereon dated May 17, 2019.

Summary of Programmatic Audit Procedures:

Our audit consisted of specific procedures and objectives to evaluate instances of noncompliance and to test HSRI's compliance with certain subparts of 45 CFR Part 155. BerryDunn examined compliance with the requirements under Title 45, Part 155, in the following programmatic areas:

- General Functions (Subpart C)
- Eligibility Determinations (Subpart D)
- Enrollment Functions (Subpart E)
- Certification of Qualified Health Plans (Subpart K)

We reviewed the processes and procedures under Title 45, Part 155, in the following programmatic areas in order to determine whether they are in compliance with the requirements of the Affordable Care Act (ACA)

- Navigators, Certified Application Counselors (CAC), and Brokers
- Privacy and Security
- Eligibility Processes and Procedures
- QHP Certification
- Compliance and Program Integrity

We reviewed the following documentation, which was obtained directly from HSRI, or located on either the HSRI website or the CMS website:

- 45 CFR Parts 200, 240, and 260, General Exchange Standards, Payment of Premiums, and Privacy and Security Standards under the ACA of 2010
- Application for HealthCare Coverage
- Board Meeting Minutes
 - Meeting Minutes July 1, 2017 – June 30, 2018
 - Meeting Minutes July 1, 2018 – March 27, 2019
- Brokers
 - Broker Agreement and Application
- Consumer Resources
 - Cost Sharing Reduction Plans for Eligible Individuals and Families (for 2018)
 - Health Plan Quality Rate Information (for 2018)
 - HealthSource RI Assister Programs Webpage
 - HealthSource RI Broker Partnerships Webpage
 - HealthSource RI Find a Provider Webpage
 - HealthSource RI Get Help Webpage
 - HealthSource RI Resources (for Individuals & Families) Webpage
 - HealthSource RI Interpreter Tagline (Multi-Language)

- Individual Market Plans and Benefits
- Individual Market Plan Premiums by Age
- Medical Loss Ratio Information
- Navigator Search Tool
- Policy Manual
- Provider Directory
- Quote Calculator
- Consumer Satisfaction Survey/Data
- Contact Center Policies and Procedures
- Contact Center Onboarding
 - Automated Health Systems (AHS) Advanced Premium Tax Credits (APTCs), and Cost Sharing Reduction (CSRs)
 - AHS Health Insurance Portability and Accountability (HIPAA) Privacy & Security Awareness Module
 - AHS Understanding Health Plans
 - AHS Utilizing Your Resources Refresher Training Module
 - Mandatory Compliance Trainings List
- Contracts
 - Rhode Island Health Center (RIHCA) Contract
 - RIHCA Subcontractor Amendment
- HSRI Policy Manual
- Interview Notes
 - 2018 Interview Notes
 - 2017 Interview Notes
 - 2016 Interview Notes
 - 2015 Interview Notes
- Navigator CAC and In-Person Assistor (IPA) Forms
 - IPA Conflict of Interest Attestation
 - IPA Privacy and Confidentiality Affidavit
 - RIHCA CAC Agency Letter of Agreement
- Navigator and CAC Program
 - Navigator Entity Request for Proposal (RFP)
 - Role of a Navigator Module
 - IPA Training and Re-Certification Information
 - Outreach and Enrollment Support Program Solicitation Request

- Notices
 - Notice Examples 2017
 - Notice Examples 2015
- Online Application
- Policies and Procedures for Privacy and Security
 - Access Control Policy
 - Security Awareness and Training Policy
 - UHIP Security/Privacy Incident Process
- QHP Information
 - QHP Refresher Training Module
- Second Lowest Cost Silver Plan Data
- Security Documents
 - Access Control Policy
 - Applicant Rights and Responsibilities
 - Consent for Identity Proofing
 - Consent for Payment
 - Consent for Use of Income Data
 - E-Signature
 - Personnel Security Policy
 - Records Retention Schedule
 - Sharing of Data Policies
 - User Acceptance Agreement
- Training Materials for Contact Center Staff
 - AHS APTCs and CSRs
 - AHS HIPAA Privacy & Security Awareness Module
 - AHS Understanding Health Plans
 - AHS Utilizing Your Resources Refresher Training Module
 - Mandatory Compliance Trainings List
- Training Materials for Navigators and CACs
 - Certified Navigator Training Manual
 - Navigator Onboarding and Training Modules

In order to understand management and staff responsibilities and processes as they relate to compliance with 45 CFR, Part 155, we performed walkthroughs of data systems and operations and interviewed the following HSRI staff:

- Eligibility & Enrollment, 834 Premium Reporting & Reconciliation Updates – Pam Lennon (Assistant Administrator Financial Management), Sumit Ohri (Chief Technology Officer), Matt Goupil (Project Manager)
- Eligibility Testing – Russ Conway (Data Architect), Sumit Ohri (Chief Technology Officer)

- Legal Oversight, Compliance, Exemptions, Privacy & Security Updates – Pam Lennon (Assistant Administrator Financial Management), Ben Gagliardi (Senior Legal Counsel), Sumit Ohri (Chief Technology Officer)
- QHP Certification – Pam Lennon (Assistant Administrator Financial Management), John Cucco (Strategy and SHOP Director), Betsy Kerr (Value Based Purchasing Analyst), Cory King (Principal Policy Analyst, Office of Health Insurance Commissioner), John Garrett (Health Reform Specialist, Office of Health Insurance Commissioner),

We performed walkthroughs and interviewed the following staff at the Call Center:

- Contact Center Update – Patrick Talbott (AHS Training & Quality Manager), Pam Lennon (Assistant Administrator Financial Management), Kathie Mazza (HSRI Contract Manager)

We interviewed the following staff from RIHCA:

- Outreach & Enrollment Update – Mary Evans (Chief Operating Officer RIHCA), Jane Hayward (President and Chief Operating Officer RIHCA), Jill Becker (RIHCA Outreach & Enrollment Support Manager), Kathie Mazza (HSRI Contract Manager), Pam Lennon (Assistant Administrator Financial Management)

We analyzed the following information to assess HSRI's compliance with the requirements of 45 CFR 155:

- A listing of 318,733 applicants who had an eligibility determination completed on or before June 30, 2018. We selected a sample of 192 cases to test the compliance with 45 CFR 155 Subpart D Eligibility and Subpart E Enrollment. We tested 192 cases for compliance with eligibility rules, and 144 of those cases were enrolled with QHPs and we tested those cases for compliance with enrollment and APTC rules.

CONFIDENTIAL INFORMATION OMITTED

N/A

II. AUDIT FINDINGS

FINDING #2018-001

Criteria:

45 CFR §155.305 provides that an Exchange must determine an applicant's eligibility for enrollment in a QHP and Medicaid through the Exchange if he or she meets the requirements stated within 45 CFR §155.305. One of the eligibility requirements is that the applicant must be a citizen of, or lawfully present in, the United States (45 CFR §155.305 (a)(1)).

Condition and Context:

We tested 192 cases for eligibility, and in one case, the State's integrated eligibility and health benefits exchange system (RI Bridges) determined that the applicant was QHP eligible. The system showed that the applicant was neither a U.S. citizen nor lawfully present, but HSRI was able to verify that the applicant was lawfully present.

Cause:

RI Bridges did not store the verification data.

Effect:

RI Bridges made the correct determination, but because the system did not store the verification data, it appeared to be an incorrect determination.

FINDING #2018-002***Criteria:***

45 CFR §155.305 provides that an Exchange must determine an applicant's eligibility for enrollment in a QHP or Medicaid through the Exchange if he or she meets the requirements stated within 45 CFR §155.305. In accordance with 45 CFR §155.305 (c), the Exchange must determine an applicant eligible for Medicaid if he or she meets the non-financial eligibility criteria for Medicaid for populations whose eligibility is based on Modified Adjusted Gross Income (MAGI) based income, as certified by the Medicaid agency in accordance with 42 CFR 435.1200(b)(2), and has a household income, as defined in 42 CFR 435.603(d), that is at or below the applicable Medicaid MAGI-based income standard as defined in 42 CFR 435.911(b)(1).

In Rhode Island, the applicable MAGI-based income standard for a person 19 or older is 138% of the Federal Poverty Level (FPL). In addition, the income standard for Rhode Island's Children's Health Insurance Program (CHIP) for children under the age of 19 is 236% of the FPL.

Condition and Context:

We selected a sample of 194 cases to test for eligibility, and in one case, RI Bridges determined that the applicant was Medicaid eligible. The applicant was determined to be CHIP eligible in 2016, when the applicant was under the age of 19 and had an FPL of 138%. At that FPL, HSRI should have terminated the individual's CHIP eligibility in March 2017, when the individual turned 19. However, the individual's Medicaid eligibility was not terminated until July 2017.

Cause:

In March 2017, RI Bridges did not include a batch process that identified individuals who should be terminated from CHIP when they turned 19 and redetermined their eligibility for Medicaid or QHP.

Effect:

The individual in this case received Medicaid benefits when he or she did not qualify for those benefits after he or she turned 19 in March 2017, and the individual improperly received those benefits until his or her Medicaid eligibility was terminated in July 2017.

FINDING #2018-003**Criteria:**

45 CFR §155.305 provides that an Exchange must determine an applicant's eligibility for enrollment in a QHP or Medicaid through the Exchange if he or she meets the requirements stated within 45 CFR §155.305. The Exchange's RI Bridges system calculates eligibility for QHP or Medicaid for applicants based on those requirements. 45 CFR §155.305(f) provides that if an applicant is expected to have a household income, as defined in 26 CFR 1.36B-1(e), of greater than or equal to 100%, but not more than 400%, of the Federal Poverty Level (FPL), he or she will be eligible for Advanced Premium Tax Credit (APTC). The Second Lowest Cost Silver Plan (SLCSP) is used along with age, income and family size to calculate a household's APTC. RI Bridges calculated the APTC for the benefit year for which coverage is requested.

Condition and Context:

We selected a sample of 192 cases to test for eligibility, and for 144 of those cases, we tested whether HSRI correctly calculated the APTC for those cases. The rules require APTC to be calculated as follows: $APTC = SLCSP \times \text{age curve factor} - ((\text{income} \times 12 \times \text{Applicable Percentage}) / 1200)$. The age curve factor and applicable percentage are annually published by CMS.

One case involved a family of two – ages 55 and 48 with weekly income of \$3,013.47 and an FPL percentage of 222.67%. For the audit period the age curve factors for a 55 year-old was 2.135 and for a 48 year-old was 1.635; and the applicable percentage for an FPL percentage of 222.67% was 7.237%. With these factors, we calculated an APTC of \$721.15 and HSRI calculated an APTC of \$756.35.

Cause:

The RI Bridges system miscalculated the APTC for this case by \$30.

Effect:

The RI Bridges system miscalculated APTC for 30 cases, due to an error in the Age Curve Factor formula. HSRI identified the error, and corrected it in January 2018, so APTCs are now being properly calculated.

AUDITOR'S OPINION

We have issued an Independent Auditor's Report on the financial statements for the year ended June 30, 2018, reflecting the following type of opinion:

QUALIFIED

UNQUALIFIED

ADVERSE

DISCLAIMER

ADDITIONAL COMMENTS

N/A

III. RECOMMENDATIONS

FINDING #2018-001

None – the error was fixed in March 2018.

FINDING #2018-002

None – HSRI has already identified and addressed the issue when it terminated the eligibility in July 2017.

FINDING #2018-003

None – HSRI has already identified and addressed the issue when it terminated the eligibility in January 2018.

IV. CONCLUSION

We confirm to the best of our knowledge that the information included in this Audit Findings Report is accurate and based on a thorough review of the documentation required for this report.

SIGNATURE OF AUDIT FIRM:

Berry Dunn McNeil & Parker, LLC

**COMPLETION DATE OF AUDIT FINDINGS
REPORT:**

May 17, 2019
